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Internal audit and oversight

Report of the United Nations Office for Project Services on internal audit and oversight in 2007*

Summary

The Head of the Internal Audit Office is pleased to provide to the Executive Board, through the Executive Director of the United Nations Office for Project Services (UNOPS), an activity report on internal audit and related services in UNOPS for the year ended 31 December 2007. Until 30 June 2007, the UNDP Office of Audit and Performance Review provided internal audit and related services to UNOPS pursuant to the memorandum of understanding between the two parties effective 1 January 1997. The UNDP Project Services Audit Section, under the overall guidance of the Director of the Office of Audit and Performance Review, was primarily responsible for carrying-out the audit and advisory services to UNOPS. Based on mutual agreement, the Office of Audit and Performance Review ended its services to UNOPS with effect from 1 July 2007 and took the necessary steps to hand over the function to the newly established Internal Audit Office within UNOPS. As part of the transition arrangement, the former chief of the Project Services Audit Section was assigned as officer-in-charge of the Internal Audit Office from 1 July until 10 September 2007. As of that date, the Internal Audit Office has functioned as the UNOPS Internal Audit Office.

Elements of a decision

The Executive Board may wish to: (a) take note of the annual report of the Internal Audit Office for 2007; and (b) express continuing support for the internal audit function of UNOPS.

*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. Introduction

1. The Head of the Internal Audit Office is pleased to provide the Executive Board, through the Executive Director, with the activity report on UNOPS internal audit and related services for the year ended 31 December 2007.

2. Until 30 June 2007, the UNDP Office of Audit and Performance Review provided internal audit and related services to UNOPS pursuant to the memorandum of understanding between the two parties effective 1 January 1997. The UNDP Project Services Audit Section, under the overall guidance of the Director of the Office of Audit and Performance Review, was responsible for carrying out the audit and advisory services to UNOPS.

3. Based on mutual agreement, the Office of Audit and Performance Review ended its services to UNOPS with effect from 1 July 2007 and took the necessary steps to hand-over the function to the newly established in-house Internal Audit Office. As part of the transition arrangement, the former chief of the Project Services Audit Section was temporarily assigned as the officer-in-charge of the Internal Audit Office from 1 July until 10 September 2007. From September until 31 December 2007 the Internal Audit Office was functioning under the supervision of a contracted Head, a.i.

4. This report therefore includes the work of the Project Services Audit Section of the Office of Audit and Performance Review during the first six months of 2007. It also includes a summary status of [UNOPS] internal audit activities for the period 1 July to 31 December 2007, prepared by the then officers-in-charge.

II. Role and functions of internal audit in UNOPS

Mandate, functions and standards

5. The mandate of UNOPS internal audit is described in the UNOPS financial regulations and related UNDP financial rules, applicable mutatis mutandis to UNOPS, which became effective on 1 January 1995. UNDP financial rule 114.38 (corresponding to financial rule 103.02 in the latest version of the UNDP rules) defines the role of the UNDP internal audit office, which applies to the overall internal control mechanism of UNOPS. In performing its internal audit function, the Internal Audit Office adheres to the standards of the Institute of Internal Auditors, which were adopted by the representatives of the Internal Audit Services of the United Nations system of organizations. The mandate, function and standards of the newly established Internal Audit Office for UNOPS is contained in the charter of the Internal Audit Office, issued as organizational directive 25 (see annex 3 of the present report, available on the Executive Board web page).

Reporting

6. Under the present UNOPS organizational structure, the Internal Audit Office reports directly to the Executive Director. The audit reports submitted to senior management contain observations in areas requiring improvement and recommendations to provide reasonable assurance regarding the achievement of business objectives and compliance with internal control requirements. They serve as a tool for the general oversight exercised by the Executive Director and for the management of the audited units. In addition to the individual internal audit reports, an annual report containing significant audit findings and recommendations is submitted to the Executive Director for presentation to the Executive Board.

Coordination with the Board of Auditors and other United Nations oversight bodies

7. The Office of Audit and Performance Review coordinated its internal audit work with the United Nations Board of Auditors, which carries out the external audit of UNOPS. The annual planning meetings of the Office of Audit and Performance Review included consultation sessions with the Board, particularly with regard to risks, priorities, audit coverage and follow-up to recommendations. The Office of Audit and Performance Review also made the results of its internal audit work available to the United Nations Board of Auditors. This approach, and collaboration with the Executive Board, is to continue under UNOPS.

8. In providing internal audit services to UNOPS, the Office of Audit and Performance Review coordinated its work with the Office of Internal Oversight Services (OIOS) and with internal audit services in other United Nations organizations. We note that the mandate given to OIOS by the General Assembly includes unrestricted internal audit and investigation jurisdiction. This approach, and collaboration with OIOS and internal audit services in other United Nations organizations, is to continue under UNOPS.

III. Highlights of activities, 1 January to 30 June 2007

9. The accomplishments of the Office of Audit and Performance Review during the first half of 2007 include the following:

(a) *Internal audit and advisory services*. The Office of Audit and Performance Review covered a number of operational and project activities in line with the 2007 audit work plan. Those activities, and the related results, are elaborated upon below.

(b) *Audit work plan for 2007.* In early 2007, the annual work plan was refined, finalized, and approved by the Executive Director. The work plan takes into account the end internal audit services of the Office of Audit and Performance Review on 30 June 2007.

(c) *Annual report to the Executive Board on 2006 activities.* The Office of Audit and Performance Review prepared the annual report on internal audit activities for 2006, which was reviewed by the Executive Director and presented to the Executive Board at its annual session 2007.

(d) *UNOPS internal audit transition arrangements.* The chief of the Project Services Audit Section participated in the technical interviews of shortlisted candidates for the vacant internal auditor posts under the Internal Audit Office. Project Services Audit Section staff organized their internal audit records on UNOPS operations, which have been archived for easy retrieval when required by the Internal Audit Office.

10. The Project Services Audit Section carried out the provision of internal audit services under the guidance of the Director, Office of Audit and Performance Review. From January to June 2007, Project Services Audit Section staffing consisted of one chief, two internal auditors and one audit assistant.

IV. Approved annual internal audit work plan for 2007

11. The 2007 work plan was based primarily upon the overall objective of assisting the Executive Director in having assurance that internal controls and procedures function as envisaged. The work plan contained detailed discussion on the planning

approach, objectives, risk assessment, areas to be covered, nature of audit services, operating budget, and transition arrangements. It was drawn up considering the recent developments and issues effecting UNOPS internal systems and business. For details, refer to the annual internal audit work plan, which was presented by the former Director, Office of Audit and Performance Review, and approved by the UNOPS Executive Director in March 2007.

V. Comparison of activities to work plan as at 30 June 2007

12. As at 30 June 2007, there were 62 planned and ad hoc internal audit assignments, 36 of which had been initiated. The summary status of those 36 audits is shown in table 1, below.

Table 1. Summary of audits, 30 June 2007

Status	Number of audits
Final report issued	10
Draft report released for UNOPS management comments	3
Work still in progress, or services ongoing	23
Total assignments initiated	**36**

13. A comparison of activities against the work plan from January to June 2007 is provided in table 2, below.

Table 2. Comparison of activities against the work plan, January-June 2007

Audit assignment	Status and results as at 30 June 2007
Completion of final reports relating to audits conducted in the last quarter of 2006: 7 assignments	6 final reports issued: GMOSS, MSAs in Afghanistan, Argentina, Ethiopia and the Nile Basin. 1 report not finalized: Project KEN/98/031.
Approved work plan, part I (UNOPS core organizational units and activities): 9 planned audits and management reviews	1 audit with final report issued: UNOPS Africa Office. 3 assignments in the period: Advisory services, audit planning and risk assessment reporting, and support to investigations. 5 planned audits not been started. Need to adapt the work plan to staffing, workload of the number of requests for audit.
Approved work plan, part II (Audit costs charged against UNOPS projects): 13 planned audits of MSAs Activities financed by the World Bank, as required in the agreement.	10 audits carried-out: 9 NBI projects and consolidated report. Final reports to be submitted to IAO in July 2007. 2 audits in initial planning stage: MSAs in Ethiopia and Chad. 1 assignment still to be determined, in terms of the donor requirement and timeline: MSA in Afghanistan

GMOSS = Global Monitoring for Security and Stability; MSA = Management Services Agreement; NBI = Nile Basin Initiative; IAO = Internal Audit Office

Audit assignment	Status and results as at 30 June 2007
Approved work plan, part II (Audit costs charged against UNOPS projects): **10** planned audits of GEF, SGP programme countries	**3** audits carried-out with draft reports issued to obtain additional management comments. Bolivia, Chile, India. **2** audits in initial planning stage: Botswana and Zimbabwe. **5** audits are to be determined in terms of timeline and approach.
Approved work plan, part II (audit costs charged against UNOPS projects): **5** requests from AFO **5** requests from APO	**2** audits carried-out with final reports issued: IFAD-funded projects in Somalia. **2** audits are being carried out with field work in progress: Indonesia and Maldives. **1** audit in initial planning stage: Timor Leste. **5** audits are still to be determined in terms of timeline and approach.
Ad hoc requests: **2** from EUO **1** from MEO **10** from NAO	**1** audit carried-out with final report issued: GMOSS activity for the year 2006. 2 audits in planning stage: Republic of South Korea and Sudan **10** audits in the preparation stage, with a risk assessment completed to identify the SGP programme countries.

GEF = Global Environment Facility; SGP = Small Grants Programme; AFO = Africa region; APO = Asia Pacific region IFAD = International Fund for Agricultural Development, EUO = Europe region; MEO = Middle East region; NAO = North American region

VI. Significant issues and results of audit

14. The Office of Audit and Performance Review released 10 final reports from January to June 2007; one relates to an audit of an organizational unit (AFO) and nine relate to the audit of projects.

15. In terms of the standard audit ratings for each assignment, the Office of Audit and Performance Review ratings are partially satisfactory for seven audits and unsatisfactory for two. One report pertains only to an audit of the financial reports on an activity under a project in which the resulting audit opinion is qualified.

16. In respect of eight audit reports, there are a total of 58 recommendations, of which 25 are considered high in importance. Of the high priority recommendations, the issues are in the areas of finance (48 per cent) and asset management (16 per cent). The main issues are:

(a) Expenditure incurred in the absence of funds and/or approved budgets (MSA projects in Afghanistan; MSA projects in the Nile Basin initiative; the Somalia project financed by IFAD; and selected projects reviewed during the audit of the Africa Regional Office);

(b) Lack of timeliness and accuracy in project financial reporting to funding entities (Afghanistan elections project and MSA projects in Afghanistan), as well as lack of adherence to UNOPS financial rules regarding the project financial reporting period;

(c) Lack of compliance with the asset management guidelines (Africa Regional Office, Afghanistan elections project, and MSA projects in Afghanistan).

17. An analysis of the causes of audit issues indicated that the most common are: the lack of compliance to legislation (45 per cent) and the lack of guidelines in respect of operational procedures (33 per cent).

VII. Internal audit risk-assessment model for UNOPS

18. In preparing the work plan for 2007, the Office of Audit and Performance Review refined its risk assessment model for UNOPS, which was initially formulated in 2005, to ensure consistency between internal audit priorities and the goals of UNOPS management. Having a model for risk assessment has become essential, given the diversity and range of UNOPS operations worldwide, the wide scope of internal audit coverage and the limited staff resources.

19. For details, please refer to the risk assessment model which was used in developing the annual audit work plan for 2008 (see annex 4 of the present report, available on the Executive Board web page).

VIII. Advisory services

20. Advisory services cover a wide range of issues relating to internal control concerns, proposed policies, organizational directives, business processes, proposed agreements, delegations of authority and specific issues that management may request. During the whole of 2007, the Office of Audit and Performance Review and the UNOPS Internal Audit Office continued to render a number of such services, which included providing comments on policies and procedures. They included the following:

(a) Policy in sharing of audit reports to Governments and other third parties;

(b) Procurement matters, including those on policies and guidelines relating to the Headquarters contracts and procurement committee;

(c) Completion of questionnaires on audit issues asked by the European Commission;

(d) Property management; and

(e) Delegation of authority.

21. The Office of Audit and Performance Review and the UNOPS Internal Audit Office continued to assist in reviewing proposed project agreements containing audit clauses to ensure that such clauses are in accordance with the financial regulations and rules and to recommend actions in addressing such audit requirements.

22. It is important to underline that the Office of Audit and Performance Review and the UNOPS Internal Audit Office are acting in advisory capacities in this area and do not participate in the implementation of any procedure.

IX. Single audit principle

23. There is an increasing trend by donors and stakeholders to include an audit requirement in projects or service agreements with UNOPS, be it a mandatory or request-based obligation. This trend follows the escalating frequency in which the United Nations organizations, in general, are being requested by funding entities to submit audited financial reports on specific activities or even have access to the financial records of the organization.

24. Considering the discussions held in the Advisory Committee on Administrative and Budgetary Questions and in the General Assembly, it is important to note that the United Nations system upholds what is referred to as the 'single audit principle', that is:

(a) The External Auditor designated by the legislative body of each United Nations organization retains the exclusive right to carry out the respective external audit functions; and

(b) If special reviews are required, the External Auditors should be requested to carry them out and to issue separate reports.

25. Consistent with the above, in principle, when a funding entity requires a special audit of its contributions, UNOPS must convey this request to the United Nations Board of Auditors.

26. UNOPS should therefore refrain to accept such audit clauses in the project documents or service agreement of which it will be the executing party.

27. As a substitute approach for projects financed by the World Bank under a management services agreement modality, the United Nations Board of Auditors has informally agreed that the audit requirement in the agreement can be addressed through internal audit. Under that approach, the Internal Audit Office may engage audit firms and/or consultants to assist in its internal audit work. The United Nations Board of Auditors, in expressing its view on that arrangement, has referred to the results of the discussion of the technical group under the United Nations Panel of External Auditors in late 2005, which is quoted below:

"The Technical Group noted that the single audit principle, as it relates to Internal Audit, would not be breached if, when contracting-in expertise on an inter-agency basis:

- the Internal Audit Services of each organization are involved in the formulation of, and explicitly agree to the terms of reference and scope of the review, as well as in the recruitment of the required expertise;
- the work is supervised by the Internal Audit Services and there is an individual reporting relationship to them; and
- work papers and reports are the property of the respective Internal Audit Services, solely responsible for the distribution of the reports."

28. However, to our knowledge there is no explicit written policy by the United Nations Board of Auditors on this matter.

X. Investigations

29. The memorandum of understanding between UNOPS and the Office of Audit and Performance Review did not specifically include the provision of investigation services. Nonetheless, based on ad hoc requests from UNOPS management and complaints that the Office of Audit and Performance Review had directly received, its Investigations Section has carried out work in addressing such cases. From January to June 2007, the Investigation Section took appropriate action on two complaints and/or allegations relating to UNOPS personnel.

30. The Office of Audit and Performance Review also provided support and coordinated its work with OIOS with regard to certain investigation cases that have been or are being conducted by OIOS.

XI. Highlights of Activities: 1 July to 31 December 2007

Briefing and hand-over work on internal audit activities

31. As part of the hand-over activities, the officer-in-charge of the Office of Audit and Performance Review has been orienting and gave briefings in New York, over the course of a week, to the newly appointed UNOPS senior internal auditor, who joined on 28 August 2007.

Internal audit staffing and environment

32. As stated in the 'Internal Audit Work Plan and Budget for UNOPS Operations for the Year 2007' signed by the Director of the Office of Audit and Performance Review and the UNOPS Executive Director on 13 March 2007, the Internal Audit Office was to have been fully staffed with one head, four internal auditors and one administrative assistant as at 30 June 2007. Instead, an officer-in-charge was appointed from 1 July to 10 September 2007 and a head, a.i., was contracted from 24 September to 31 December 2007, since the post of head, Internal Audit Office, was not filled. As at 31 December 2007, the posts of one senior internal auditor and two internal auditors were filled. The last post of internal auditor was filled by 1 January 2008. Three of the recruited internal auditors have United Nations experience (United Nations, World Bank and UNESCO).

33. The amount of work days available to the Internal Audit Office for the second half of 2007 was initially projected to have been 105 for the head, 540 for internal auditors and 105 for administrative assistance. Instead, the actual amount was 103 work days for the head, 113 for internal auditors and none for administrative services meaning that in total the Internal Audit Office operated at 30 per cent of its intended person day capacity for this period. As such, the Internal Audit Office could not fully meet all the work initial objectives for the latter period of 2007.

34. A practical working environment of the Internal Audit Office was secured premises in early 2008.

35. The UNOPS Strategy and Audit Advisory Committee terms of reference have been approved in 2008. The Committee become operational in 2008 and has begun to provide advice to the head, Internal Audit Office on the Internal Audit Office charter and the 2008 annual work plan.

The work priorities of the officer-in-charge

36. During the period, the officer-in-charge had the following priorities:

(a) Managing on-going assignments and addressing requests for audit and advisory services;

(b) Assisting in recruiting staff for the Internal Audit Office;

(c) Finalizing the hand-over activities and related matters;

(d) Leading the orientation and briefing of the new Internal Audit Office staff member; and

(e) Continuing the collaboration work with the external auditors and other oversight bodies in the United Nations system.

Status of Internal Audit Activities as at 31 December 2007

37. The cumulated summary status of the audits initiated as at 31 December 2007 is shown in table 3, below.

Table 3. Status of audits initiated as at 31 December 2007

Status	Number of audits	
	As at 30 June 2007	As at 31 December 2007
Final report issued	10	24
Draft report released for UNOPS management comments	3	0
Work still in progress or services are on-going	23	16
Total assignments initiated	**36**	**40**

38. In addition to the above planned and ad hoc requests, the Internal Audit Office responded to several requests for audit and advisory services. Most of the requests follow the increasing trend whereby funding entities are including an audit requirement in project agreements with UNOPS.

Main internal audit achievements during the period

Internal control framework

39. The Internal Audit Office has assisted UNOPS management in the initial formulation and distribution of an internal control framework. The Internal Audit Office needs to further promote and support senior management in developing a comprehensive internal control framework to provide better guidance to staff in discharging their functions. Also, in line with best practices and the guidance of the Executive Board, the Internal Audit Office strongly encourages senior management to formulate an organization-wide approach to risk management.

Unresolved UNOPS/UNDP interfund differences, ante 2006

40. In its report on the UNOPS financial statements for the biennium ending 31 December 2005, the United Nations Board of Auditors qualified its opinion based upon certain observations, in particular concerning the settlement of unresolved interfund differences with UNOPS. The Internal Audit Office has assisted in preparing a settlement proposal which the Executive Director communicated to UNDP for discussion and approval. No resolution with UNDP has been reached to date, but negotiations are continuing between the management of the organizations.

Internal audit charter

41. An internal audit charter containing the mandate, authority, responsibilities and general scope of work of the Internal Audit Office was submitted to the Executive Director for review and issuance. It has since been approved and issued as organizational directive 25 in 2008, and is available on the Executive Board web site as annex 3 to the present report.

Training

42. The Head, a.i., Internal Audit Office, has provided orientation training to the incoming audit staff, and in-house specific training in an Atlas environment has been initiated. The new internal audit team has to adapt quickly to the UNOPS environment and have a sound understanding of the nature of the UNOPS activities. Post descriptions for internal auditors and the head of the Internal Audit Office were prepared for approval by the Executive Director. Detailed hand-over notes were prepared for the incoming Head of the Internal Audit Office to ensure a smooth transition. In addition, as the Internal Audit Office has collective command of three United Nations working languages – Arabic, English and French – some internal auditors were strongly encouraged to acquire proficiency in the fourth working language, Spanish.

Internal audit work plan for 2008

43. An internal audit risk-based work plan for 2008 was prepared for approval by the Executive Director. The approved version is available on the Executive Board web site as annex 4 to the present report, inclusive of its related annexes. In this regard, the Office of Audit and Performance Review risk assessment model for UNOPS was followed. It is envisaged that in future audit planning, the Internal Audit Office will seek deeper involvement of UNOPS management in the process, to enhance their knowledge of the organization. Moreover, the risk assessment procedures covering projects and programmes will be further refined to secure adequate audit coverage and an acceptable audit cycle.

44. The work plan was established taking into consideration the new UNOPS headquarters organization chart as circulated in September 2007 by management, effective 1 January 2008.

Follow-up to audit recommendations

45. To assist management in following up with the implementation of audit recommendations, the UNDP Office of Audit and Performance Review has used its customized application, the 'Comprehensive Audit and Recommendations Database System'. The Internal Audit Office is in the process of joining that system, in consultation with UNDP, to institute its procedures in following up on audit recommendations. Furthermore, the follow-up system will permit the monitoring of binding recommendations made by the Executive Board, the United Nations Board of Auditors, the Joint Inspection Unit and OIOS.

Internal audit manual

46. As a newly established audit mechanism, the Internal Audit Office needs to institute standard operating procedures and work methods. Many of these have been inherited from the UNDP Office of Audit and Performance Review, but they must be tailored to the specific needs of UNOPS. To that end, the Internal Audit Office has constructed an internal audit toolkit, including audit templates, for use in 2008 and beyond.

Advisory services

47. In the conduct of internal audits, extensive knowledge and lessons learned from the experience of the offices visited are gathered and accumulated. This knowledge and information is shared through the provision of advisory services. The Internal Audit Office is frequently consulted, formally or informally, on a number of the issues identified above.

Audit clause

48. With the increasing trend in the requirement by funding entities to include an audit requirement in project agreements with UNOPS, there is a significant increase in the internal audit workload, particularly in the following areas: (a) proactively advising operational units; (b) coordinating the outsourcing of audit services; (c) supervising and monitoring the work of audit firms and consultants; and (d) ensuring quality in the audit reports. A study of the adequacy of the audit clause in the various agreements with fund-providers was performed by an external consultant. The results of that exercise indicate that the inclusion of the audit clause needs to be reassessed in applying the single audit principle.

Communication within the United Nations oversight functions

49. The Internal Audit Office has established channels of communication with other oversight groups in the United Nations, particularly with the United Nations Office of Internal Oversight Services and the Board of Auditors, to obtain and gather the latest

trends and developments in the United Nations oversight community. The Head, Internal Audit Office will also participate actively in the annual meeting of representatives of the Internal Audit Services of the United Nations system of organizations.

Investigations

50. In its anti-fraud policy statement, UNOPS indicated that complaints and allegations can be referred to the Office of Audit and Performance Review, to OIOS or to the Internal Audit Office for investigation. The Internal Audit Office has assisted in redrafting Directive OD/10 and had submitted the draft *UNOPS Policy to Address Fraud* to the General Counsel for comments and issuance by the Executive Director.

51. The Internal Audit Office has also prepared a draft *Succinct Manual for UNOPS Investigations*, which it has sent to the General Counsel for review. During the period envisaged, the Internal Audit Office has initiated three investigations, as requested by the General Counsel.

Administering the projects/agreements audit requirements

52. The Internal Audit Office is responsible for and was involved in administering the completion of the mandatory audit requirements for the organization reflected in the consolidated activity report for 2007.

Other tasks

53. The majority of the tasks undertaken by the Internal Audit Office during the last quarter of 2007 were brought to a point of near completion. However, it was decided that before they are finalized and/or issued, the incoming and permanent head of the Internal Audit Office would be given the opportunity to provide input and approve the final issuance. This will include:

(a) The internal audit charter;

(b) The 2008 work plan;

(c) The 2007 activity report;

(d) The internal audit manual; and

(e) The post descriptions for Head, Internal Audit Office, and for internal auditors.

XII. Summary of follow-up to 2005, 2006 and 2007 audit recommendations

54. Similar to the follow-up to audit recommendations conducted by the UNDP Office of Audit and Performance Review in early 2007, the newly established Internal Audit Office conducted a follow up with management on the audit recommendations issued in 2005, 2006 and 2007. This is in line with the decision 2006/13, which requests the Executive Director of UNOPS to include in its annual audit and oversight reports, (a) a summary containing key and recurrent findings; (b) a table indentifying the unresolved audit findings by year and prioritization category; and (c) an explanation of findings that have remained unresolved for 18 months or more.

Key and/or recurrent issues and those unresolved for 18 months or more after audit recommendations

55. Annex 1, available on the Executive Board website, lists all the recurrent and/or high priority audit recommendations issued in 2007, and annex 2 lists audit recommendations unresolved for more than 18 months.

Analysis of audit recommendations issued in 2007

56. Pursuant to decision 2005/19, and following the earlier work of the Office of Audit and Performance Review, the Internal Audit Office analysed each of the recommendations for 2007.

57. In 2007, 24 audit reports were issued. Of those, 11 were financial audit reports expressing an opinion on the fairness of expenditure charged to projects, and thus no recommendations were issued. In the remaining 13 audit reports, 145 recommendations were issued. However, one audit report[1] contained 30 recommendations, which were not categorized. Therefore only 115 audit recommendations can be analysed. Furthermore, three audit reports, containing 36 audit recommendations, did not include an analysis of frequency of occurrence by area. Therefore, the analysis of audit recommendations for 2007, below, consisted of 115 recommendations analysed by importance and cause, while 109 recommendations could be analysed by frequency of occurrence by area.

Prioritization of audit recommendations by importance

58. Of the 115 audit recommendations issued in 2007, 32 (28 per cent) are considered of high importance; 60 (52 per cent) of medium importance; and 23 (20 per cent) of low importance. The categorization used is based on the definitions of level of importance used by the Office of Audit and Performance Review. Those definitions are set forth below.

Table 4. Prioritization of audit recommendations by importance (2007)

By importance	Number of recommendations	Percentage
High	32	28
Medium	60	52
Low	23	20
Total	**115**	**100**

Definitions[2]:

High: Action considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization)

Medium: Action considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)

Low: Action that is considered desirable and should result in enhanced control or better value for money.

Causes of audit issues

59. Failure to comply with prescribed UNOPS regulations or lack of compliance with standard rules and procedures is the main cause (43 per cent) of the audit issues addressed in the 2007 audit report. The other main causes are inadequate or lack of supervision by supervisor (31 per cent); absence of written procedures to guide staff in performing their functions (17 per cent); human error (4 per cent); and insufficient resources (3 per cent). The 2008 audit plan will focus on each of these significant areas.

[1] Audit report 2007/232 contains 30 audit recommendations

[2] DP/2007/38 page 10

Table 5. Audit recommendations by cause of audit issue (2007)

By causes	Number of recommendations	Percentage
Compliance	50	43
Guidelines	20	17
Guidance	36	31
Human Error	5	4
Resources	4	3
Total	**115**	**100**

Definitions[3]:

Compliance: Failure to comply with prescribed UNOPS regulations, rules and procedures.
Guidelines: Absence of written procedures to guide staff in performing their functions.
Guidance: Inadequate or lack of supervision by supervisors.
Human error: Mistakes committed by staff entrusted to perform assigned functions.
Resources: Insufficient resources (funds, skill, staff) to carry out an activity or function.

Frequency of occurrence of audit recommendations by area

60. Further analysis of audit recommendations by frequency of occurrence by area was undertaken, as required by the Executive Board decision mentioned above.

61. As shown in table 6, below, 55 of 109 audit recommendations (50 per cent of the total) related to the finance area; 27 (25 per cent) to project/programme activities; and 14 (13 per cent) to general administration. The other 14 (13 per cent) related to areas such as human resources, procurement, general policy and organization.

Table 6. Audit recommendations by area (2007)

Area	Number of recommendations	Percentage
Human resources	2	2
Procurement	3	3
Finance	55	50
General administration	14	13
Project/programme activities	27	25
Information technology	0	0
General policy	2	2
Organization	7	6
Total[4]	**110**	**100**

Implementation of audit recommendations

62. In line with the 'standard for the professional practice of internal auditing' that requires "*a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*[5] ", and in order to address the Executive Board decision, the Internal Audit Office

[3] DP/2007/38, paragraph 41
[4] One recommendation had two areas of categorization.
[5] IIA, Performance Standard 2500 – Monitoring Process

prioritized its activity in early 2008 to conduct a follow-up on audit recommendations. The lessons learned from that exercise are used in the 2008 audit programme to focus on issues raised in the previous audit recommendations, particularly the causes of those recommendations.

Implementation of audit recommendations made in 2007

63. The 2007 audit reports contained 145 recommendations for improving internal controls and organizational efficiency and effectiveness. The Internal Audit Office requested the organization, or the action units concerned, to provide their written responses to all of the recommendations, including actions taken, or contemplated, to implement them. In 2007, the Internal Audit Office requested that the unit concerned provide the latest status as at end of March 2007, together with supporting documentation to validate their comments. Desk reviews of the comments, and the supporting documents whenever available, were carried out. Based on the responses provided to the Internal Audit Office, the concerned organizational units indicated the status of implementation. Table 7, below, shows that the status of implementation as at 6 April 2008 was 67 per cent. The unimplemented recommendations, which represent 7 per cent of the total (10 recommendations), comprised of three 'high', six 'medium' and one 'low' importance of recommendation. The five unimplemented recommendations were due mainly to no action having yet been taken to implement them by the project management.

Table 7. Status of implementation of audit recommendations (2007)

Status	Number of recommendations	Percentage
Implemented	97	67
Implementation in progress	38	26
Not implemented	10	7
Total	**145**	**100**

Implementation of previous year audit recommendations

64. In its report on internal audit services to UNOPS in 2006 (DP/2007/38), the Office of Audit and Performance Review reported that 39 of its recommendations from the previous year were being acted upon, while 12 had not been implemented.

65. The follow-up review showed that as at 6 April 2008, the implementation rate for 2005 audit recommendations was 94 per cent and for 2006 audit recommendations it was 71 per cent.

Table 8. Status of implementation of audit recommendations (2006)

Status	Number of recommendations	Percentage
Implemented	53	71
Implementation in progress	22	29
Not implemented	0	0
Total	**75**	**100**

Table 9. Status of implementation of audit recommendations (2005)

Status	Number of recommendations	Percentage
Implemented	148	94
Implementation in progress	6	4
Not implemented	3	2
Total	**157**	**100**